

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L OSLO 2845

SHAPE FOR POLAD

E.O. 11652: GDS
TAGS: PINT, NO
SUBJECT: NORWAY'S LABOR GOVERNMENT AT END OF 1977-78 POLITICAL
SEASON

1. THE LABOR GOVERNMENT RETURNED TO POWER FOLLOWING THE GENERAL
ELECTION IN SEPTMEBER 1977, HAS ENJOYED RATHER SMOOTH SAILING
DURING MOST OF THE CURRENT STORTING TERM AS IT SUCCESSFULLY
MANAGED MAJOR POLICY PROBLEMS, INCLUDING THE GREY ZONE AGREEMENT,
THE DEFENSE BUDGET, OIL POLICY AND THE FIRST MOVES TOWARD
RESTRUCTURING THE NORWEGIAN ECONOMY. ALL THIS, IN SPITE OF
THEIR DEPENDENCE ON TWO LEFT SOCIALIST (SV) DEPUTIES FOR THEIR
ONE-VOET MARGIN IN PARLIAMENT.

2. THE GON'S FIRST MOVES TOWARD ECONOMIC ADJUSTMENT INCLUDING
THE DECISION TO USE COMPULSORY ARBITRATION TO HOLD THE LINE
ON REAL WAGE GROWTH IN THIS SPRING'S INCOMES AGREEMENTS HAVE
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BEGUN TO POINT TO POTENTIAL POLITICAL PROBLEMS FOR THE
LABOR GOVERNMENT. FIRST, LABOR UNIONS, EXPECTING
ADDITIONAL SHOCKS IN THE ECONOMIC ADJUSTMENT PROCESS,
ARE APPLYING INTERNAL PRESSURE WITHIN THE LABOR PARTY
TO GET RID OF FINMIN PER KLEPPE, WHO IS VIEWED AS NOT
SUFFICIENTLY SYMPATHETIC TO LABOR INTERESTS. SECOND, AS
WAS SHOWN IN THE JUNE 7 VOTE ON IMPOSING COMPULSORY ARBITRA-

TION IN THE FARMERS' SETTLEMENT, THE TWO-MAN SV DELEGATION IN THE STORTING IS CAPABLE OF WITHDRAWING ITS SUPPORT, LEAVING THE LABOR GOVERNMENT IN A MINORITY POSITION IN THE STORTING.

3. WITH THE SUMMER RECESS OF THE STORTING BEGINNING JUNE 9, THE GOVERNMENT WILL PROBABLY SUCCEED IN DELAYING A DECISION ON WHAT TO DO ABOUT KLEPPE UNTIL THE FALL, THOUGH THERE WILL BE A PARTY-LO DISCUSSION OF THE QUESTION DURING THE SUMMER. THE DESERTION OF THE GOVERNMENT BY THE TWO SV MEMBERS CAN BE EXPECTED TO RECUR WITH REGARD TO PARTICULAR ISSUES IN THE NEXT SESSION, AND WILL HAVE THE EFFECT OF KEEPING THE GOVERNMENT OFF BALANCE SOME OF THE TIME, BUT AS YET SV'S POSITION IS TO KEEP THE LABOR GOVERNMENT IN POWER. AS IT DID IN THE VOTE JUNE 7, THE LABOR GOVERNMENT CAN STILL TURN TO THE MAJOR OPPOSITION PARTY, THE CONSERVATIVES, FOR SUPPORT ON KEY FOREIGN POLICY, DEFENSE AND ECONOMIC ISSUES.

4. THE GENERALLY UNSETTLED CONDITION WITHIN THE LABOR PARTY COULD ALSO REPRESENT AN OPPORTUNITY FOR THE UP TO NOW SOMEWHAT MERCURIAL LEFTIST LABOR PARTY CHAIRMAN REIULF STEEN. STEEN, WHO DOES LESS PLAYING TO THE GALLERIES THESE DAYS, HAS MAINTAINED A CERTAIN DISTANCE FROM INTRA-PARTY SQUABBLES. HE HAS ALSO FAVORABLY IMPRESSED HIS FELLOW STORTING MEMBERS WITH HIS PERFORMANCE AS CHAIRMAN OF THE STORTING'S FOREIGN AFFAIRS COMMITTEE. STEEN'S EASING TOWARD THE CENTER OF THE PARTY FORETELLS, WE FEEL, AN ATTEMPT TO MOVE UPWARD, POSSIBLY

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INTO THE PARLIAMENTARY LABOR LEADERSHIP ROLE, IF TRYGVE BRATTELI RETIRES AT THE END OF 1978.

5. COMMENT: THE LABOR GOVERNMENT WILL BE ABLE TO HOLD ON TO POWER, BUT IT WILL PROBABLY CONTINUE TO SUFFER MINI-CRISES LIKE THE RECENT ONE AS IT WORKS TO GET AGREEMENT ON SOME TOUGH ECONOMIC CHOICES OVER THE NEXT YEAR. BUT THE ALTERNATIVE, A NON-SOCIALIST GOVERNMENT DOES NOT SEEM LIKELY. SUCH A CABINET WOULD HAVE EVEN GREATER PROBLEMS COPING WITH UNATTRACTIVE ECONOMIC DECISIONS AS IT WOULD FACE AN OPPOSITION WITH A MAJORITY OF VOTES IN THE STORTING.

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